

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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:
In re : Chapter 11
:
THE WECK CORPORATION, : **Case No. 10-**____ (____)
d/b/a Gracious Home, et al.¹ :
:
Motion to Procedurally Consolidate
Pending
Debtors. :
:
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**AFFIDAVIT OF JORDAN SMILOWITZ
PURSUANT TO BANKRUPTCY RULE 1007-2 OF THE LOCAL
BANKRUPTCY RULES FOR THE SOUTHERN DISTRICT OF NEW YORK**

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

JORDAN SMILOWITZ, being duly sworn, deposes and says:

1. I am the President and Chief Operating Officer (“COO”) of the above-captioned debtors and debtors-in-possession (the “Debtors”, “Gracious Home” or the “Companies”). I am authorized to submit this Declaration in support of the Debtors’ chapter 11 petitions and the first day pleadings described here in. I am familiar with the Debtors’ day-to-day operations, businesses and financial affairs.

2. I have been employed with the Company for almost eighteen years and was named President and Chief Operating Officer in early 2010. During my tenure, I held various

¹ The Debtors in these cases, together with the last four digits of their respective federal tax identification numbers, are as follows: The Weck Corporation 6057; West Weck, LLC 1934; Gracious Home.com, LLC 4754; Weck Chelsea, LLC 3431.

other senior management positions, including responsibilities for the companies' merchandising division, operations and distribution.

3. On the date hereof (the "Petition Date"), the Debtors filed with this Court voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), as well as certain motions and other pleadings (collectively, the "First Day Pleadings").

4. The First Day Pleadings are intended to enable the Debtors to operate effectively and efficiently within these chapter 11 cases, as well as to avoid certain adverse consequences that might otherwise result from the commencement of these cases. Among other things, the First Day Pleadings are designed to meet the Debtors' goals of: (i) continuing their operations in chapter 11 with as little disruption and loss of productivity as possible; (ii) maintaining the confidence and support of their customers, employees, vendors and service providers during the Debtors' reorganization process; and (iii) establishing procedures for the smooth and efficient administration of these chapter 11 cases. I have reviewed the First Day Pleadings, and it is my belief that the relief sought therein is necessary to: (a) avoid immediate and irreparable harm to, and ensure the uninterrupted operation of, the Debtors' businesses, and (b) maximize and preserve the value of the Debtors' chapter 11 estates.

5. In my capacity as President and COO, I am familiar with the Debtors' day-to-day operations, financial affairs, business affairs and books and records. Except as otherwise indicated, all facts set forth in this Declaration are based upon: (i) my personal knowledge; (ii) my review of relevant documents; (iii) information supplied to me by other members of the Debtors' management team or professionals retained by the Debtors; or (iv) my opinions based

on my experience and knowledge of the Debtors' operations and financial condition. If I were called upon to testify, I could and would testify competently to the facts set forth herein.

6. Parts I through III of this Declaration provide an overview of the Debtors' businesses, capital structure, and the circumstances giving rise to the commencement of these chapter 11 cases. Part IV summarizes the relief requested in each of the First Day Pleadings. Part V lists the schedules of information requested by Local Bankruptcy Rule 1007-2.

I.

THE DEBTORS' BUSINESSES

Background

7. Founded in 1963, when now Chairman Natan Wexselbaum ("NW") and his brother emigrated from Cuba, the Debtors began as a small neighborhood hardware store on Manhattan's Upper East Side. Remaining family owned and operated for the ensuing 47 years, the Debtors today operate a housewares and home furnishings business at six (6) retail store locations, utilizing seven (7) store leases, a warehouse lease and an office lease, and an internet-based business, all under the name "*Gracious Home*". In addition to basic hardware and housewares, stores feature extensive selections of bedding and bath products, kitchen appliances, decorative hardware, decorative plumbing, window treatments, home décor, tableware, lighting and fixtures, fabrics, household appliances and vacuums and travel accessories.

8. Gracious Home also offers a wide range of customized products and services, including personal shopping, corporate and bridal gifts, decorative hardware, lighting and plumbing, key making, knife sharpening, lamp re-wiring, vacuum repairs, custom window treatments and stationary. Having built their reputation and clientele on quality of service, the stores cater not only to the sophisticated, higher-end, metropolitan consumer, but also architects, contractors, interior designers, electricians, plumbers, carpenters and developers.

Organizational Structure

9. Debtor, The Weck Corporation (“Weck Corp.”) is a Subchapter S corporation, organized under the laws of the State of New York. Weck Corp. serves as the principal obligor on the leases for the Eastside Location (as defined below) and the principal buying agent for inventory sold and distributed in all retail locations. As such, inventory is purchased by Weck Corp. and Weck Corp. stands as the obligor for most of the Debtors’ accounts payable and as principal obligee on the Debtors’ account receivable. West Weck, LLC (“West Weck”) is a limited liability corporation organized under the laws of the State of New York and stands as principal obligor on the lease for the Westside Location (as defined below). Weck Chelsea, LLC (“Weck Chelsea”) is a limited liability corporation organized under the laws of the State of New York and stands as principal obligor on the lease for the Chelsea Location (as defined below). Gracioushome.com, LLC (“GH.com”) is a limited liability corporation organized under the laws of the State of New York which operates the Debtors’ retail internet site. As set forth more fully herein, all four Debtors are borrowers and have pledged their assets under the Debtors’ pre-petition senior secured lending facility.

Retail Locations

10. Gracious Home primarily sells its products through its retail stores. The six Gracious Home retail locations are detailed as follows:

- (a) 1992 Broadway, New York, NY 10023 (the “Westside Location”);
- (b) 1220 Third Avenue, New York, NY 10021 (the “Eastside 1220 Third Store”);
- (c) 1217 Third Avenue, New York, NY 10021 (the “Eastside 1217 Third Store”);

(d) 1201 Third Avenue, New York, NY 10021 (the “Eastside 1201 Third Store,” and collectively with the Eastside 1220 Third Store and the Eastside 1217 Third Store, the “Eastside Location”);

(e) 766 Sixth Avenue, New York, NY 10010 (the “Chelsea Main Store”);

(f) 45 West 25th Street, New York, NY 10010 (the “Chelsea Plumbing & Decorative Hardware Showroom” and collectively with the Chelsea Main Store, the “Chelsea Location”).

For the fiscal year ending December 31, 2009, the retail stores accounted for approximately ninety-seven percent (97%) of the Debtors’ revenues.

11. Corporate Accounts. The Debtors have developed an extensive and loyal following of commercial and trade customers, including architects, interior designers, contractors, electricians, plumbers, carpenters and developers working in and around New York City. Although new trade traffic may visit the displays at any of the Debtors’ stores, a substantial amount of the Debtors’ trade business is now on a re-order basis. The Debtors have also developed substantial commercial businesses with hotels, schools and residential and commercial real estate firms which have corporate Gracious Home accounts for automatic and immediate order and re-order of janitorial supplies, light bulbs, house wares, and other operating essentials. In connection with the Debtors’ commercial and trade accounts, the Debtors’ professionals offer expert product advice, installation information, operating tutorials, detailed price estimates, special delivery services and other services as requested by the customer.

12. Internet. The Debtors also sell their products directly to their consumers through their internet site, located at www.gracioushome.com. The Debtors’ website allows the Debtors significant access to their customers, which the Debtors track in a database populated with

information from approximately 50,000 customers. The Debtors' website provides customers with the opportunity to sign up to obtain exclusive email-only offers, obtain internet-only promotions, and provides information about the Debtors' product lines and retail store locations. For the trailing 12 month period, the Debtors' website produced total sales of approximately \$2,000,000 which accounted for approximately three percent (3%) of the Debtors' revenues.

13. In addition to the forgoing, Debtor Weck Corp. is lessor of certain commercial warehouse space located in Woodside, Queens, New York, which serves as a central warehouse, storage and distribution center for all store locations and the internet sales (the "Warehouse").

14. Debtor Weck Corp. is also the lessor of certain commercial space located at 632 Broadway, New York, New York 10012, which serves as the Debtors' corporate headquarters (the "Corporate Headquarters"). A majority of the Debtors' business activities, including senior management, purchasing, strategic planning, corporate communications, marketing, finance, human resources, internet and IT take place at the Corporate Headquarters.

Employees and Labor Matters

15. The Debtors currently employ approximately 315 non-union employees, comprised of 255 employed at the retail stores and 60 who are considered part of the Corporate Headquarters. Historically, the Debtors have enjoyed favorable relationships with their highly qualified and enthusiastic personnel. The Debtors believe that their labor relations are good, and they have never experienced a work stoppage.

Properties and Assets

16. The Debtors' primary assets include inventory, contract rights, intellectual property rights, and accounts receivable for goods sold. As indicated, the Debtors lease, and do not own, their headquarters, distribution center and warehouse in Woodside, Queens and their six retail store locations.

Branded Products and Sourcing

17. The Debtors sell and distribute certain in Gracious Home-branded products, including linens, candles and cleaning products. These branded products are sourced from external manufacturers and distributed through the Debtors.

II.

CAPITAL STRUCTURE²

Secured Debt

18. The Debtors are party to that certain Modified and Extended Secured Non-Revolving Credit Note and Agreement dated as of February 16, 2010 (the “Revolving Credit Agreement”) entered into between The Weck Corporation, West Weck LLC, Gracious Home.com LLC and Weck Chelsea LLC, as Borrowers and Manufacturers and Traders Trust Company as Lender (“M&T” or “Lender”) under the terms of which the Debtors were indebted to Lender for the principal sum of approximately \$11,475,000 (inclusive of Standby Letters of Credit in the principal amount of approximately \$2,385,000), exclusive of interest and fees unpaid as of the Petition Date (the “Pre-Petition Senior Secured Indebtedness”). The Pre-Petition Senior Secured Indebtedness is secured by fully perfected liens and security interests in substantially all of the Debtors’ assets, including accounts, inventory, chattel paper, investment property, deposit accounts, documents, equipment, general intangibles, instruments, letters of credit rights and other personal property, and all proceeds of the foregoing (collectively the “Senior Secured Collateral”), which liens and security interests were granted under various General Security Agreements entered into by Debtors, Weck Corp., West Weck, and GH.com LLC on April 22, 2005 and Weck Chelsea on November 2, 2007 (collectively, the “GSA”).

² The summary of the loan document and security agreement set forth herein is qualified in its entirety by the documents themselves. To the extent there is a discrepancy between the descriptions set forth herein and the documents, the documents control.

19. The Revolving Credit Agreement, as modified and extended on February 16, 2010, provided for payments of principal during 2010, with the last principal payment of approximately \$90,000 made on or after March 31, 2010. No further principal payments have been made since March 31, 2010 although a principal payment of \$250,000 was due on or about June 15, 2010. The Debtors have made interest payments on the Revolving Credit Agreement as scheduled thereunder. The Pre-Petition Senior Secured Indebtedness under the Revolving Credit Agreement matured by its terms on June 15, 2010. As of July 31, 2010, such Pre-Petition Senior Secured Indebtedness totaled approximately \$11,312,000.

20. On August 11, 2010, the Pre-Petition Senior Secured Indebtedness was sold by M&T to NewAlliance Bank ("NAB"). As more fully set forth herein, NAB has agreed to provide the Debtors with post-petition loans and advances, which will allow the Debtors to achieve its Chapter 11 reorganization goals. In connection with NAB's acquisition of the Prepetition Senior Secured Indebtedness, the Debtors and NAB entered into a Forbearance Agreement and Amendment to Modified and Extended Non-Revolving Credit Note and Agreement.³

21. Separate and apart from the Revolving Credit Agreement, as of the Petition Date, the Debtors are indebted to GE Commercial Distribution Finance Corporation ("GE")⁴ in the amount of approximately \$18,000 on account of "floor financing" provided in connection with major appliance floor sample displays and air condition inventory, which indebtedness is secured by products and appliances located as display models in the various retail locations.

³ Certain other prepetition loan agreements were modified as part of NAB's acquisition of the Pre-Petition Senior Secured Indebtedness.

⁴ Upon information and belief, Capital Solutions recently acquired GE's secured debt.

Unsecured Debt

22. Historically, the Debtors have enjoyed outstanding relationships with their suppliers. In 2010, the Debtors purchased their merchandise from approximately 1,000 suppliers, with the largest supplier accounting for approximately 13% of the Debtors' merchandise purchases and the Debtors' 10 largest suppliers accounting for approximately 30% of such purchases. The Debtors purchase substantially all of their merchandise in the United States, the majority from domestic sources and the balance from importers. The Debtors have no material long term contracts obligating them to purchase a minimum level of merchandise.

23. The Debtors owe their trade vendors approximately \$7,000,000 as of the Petition Date. These claims are for the delivery of goods and services to the Debtors. In addition, monthly rental obligations for various of the Debtors' leases are outstanding as of the Petition Date in the approximate amount of \$700,000.

Equity Interests

24. The Debtor corporations (i.e., The Weck Corporation, West Weck, LLC, GraciousHome.com, LLC and Weck Chelsea, LLC) are all owned and controlled by founder or interests of the family of founder, NW, including spouse and children (except for 8% of West Weck, LLC which is held by two management employees).

Recent Financial Information

25. The Debtors attained revenue of approximately \$60 million in fiscal year 2009 (year ending December 31, 2009), which represents a decline from fiscal year 2008 revenue, which was approximately \$70.4 million. Current revenue projections for fiscal year 2010 (year ending December 31, 2010) are approximately \$58 million.

26. The Debtors have suffered substantial net earnings losses for the past several years. The loss in fiscal year 2008 was approximately \$2.7 million. The loss in fiscal year 2009

was approximately \$3.4 million. The loss for fiscal year 2010 loss is projected to be approximately \$3 million, exclusive of restructuring-related charges.

III.

EVENTS LEADING TO THE CHAPTER 11 CASES

27. Several recent internal and external factors have severely impacted the Debtors, and, in particular their retail businesses, ultimately prompting the near-term liquidity pressures that precipitated the decision to commence these chapter 11 cases.

Market Conditions

28. The Debtors operate in the highly -competitive retail industry, specifically in the home sector. Due to their extensive merchandise assortment, the Debtors compete against many different types and sizes of retailers operating in several different retail distribution channels. The Debtors, along with their competitors, are influenced by a number of factors affecting retail sales of home goods on a national level, including but not limited to, general economic conditions (including the housing market), the overall macroeconomic environment and related changes in the retailing environment, consumer preferences and spending habits.

29. Since the collapse of the U.S. subprime and Alt-A mortgage industry in the second quarter of 2008, the decline in the housing market and the tightening of the credit markets have led to a decline in consumer discretionary spending. This decline has had a significant adverse impact on many retail sectors, including home wares and home improvement, in the form of decreased sales.

30. In addition to the difficult conditions affecting the national economy, the Debtors have been specifically affected by the health of the New York City economy. As reported in May 2010, since August 2008, the net job loss in New York City was 131,000 jobs (down from a peak of 184,000 jobs as recently as December 2009), with most of those jobs in the private

sector--particularly the financial and legal industries. These are the jobs held by many of the Debtors' customers, adversely impacting the Debtors' sales levels since fiscal year ending December 31, 2007.

31. It is well known that the Debtors are not the only retailer to struggle in the current economic climate, the most difficult downturn experienced in both New York City and the United States in many decades. In fact, over the last few years, retailers such as Jennifer Convertibles, Lenox, Eddie Bauer, Filene's Basement, Fortunoff, KB Toys, Goody's, Steve & Barry's, Mervyn's, Crabtree & Evelyn, Boscov's and Gottschalks have all sought relief under chapter 11.

Operational Issues

32. The Debtors recently have experienced a number of operational challenges which have impacted the performance of their various business sectors. These challenges, combined with their declining revenues and operating losses, have severely impacted the Debtors' ability to operate successfully in the marketplace.

33. In the early Spring of 2010, the Debtors engaged Triton Equity Partners, LLC ("Triton") to assist them in addressing these various operational issues, including the implementation of a workforce reduction, consolidation of product lines, institution of credit card receivable financing and other efficiencies designed to realize significant cost reductions. Over the ensuing ninety (90) days, the Debtors, assisted by Triton, negotiated, structured and implemented these various measures, including a prepetition reduction of workforce, however, the Debtors have determined that any further workforce reduction would risk severely impinging on the Debtors' hallmark service standards and, therefore, were not appropriate to further long term strategies of reorganization.

Prepetition Lease Negotiations

34. The Debtors, assisted by Triton, further undertook a review of the Debtors' obligations under their various leases and in conjunction with the Debtors' counsel, determined that certain of such leases and locations contain over market terms, are subject to near-term expiration dates which could force the Debtors to renegotiate some of their key store leases at potentially materially higher rental rates, provide for space that is in excess of the Debtors' current needs and/or may allow the Debtors an opportunity to seek economic value via transfer and assignment. Accordingly, the Debtors, assisted by Triton, are exploring various options and alternatives on a lease by lease basis that maximize the Debtors' strategic position in the marketplace and/or maximizes asset value.

35. The Debtors ultimately determined that a restructuring of their businesses could not be completed outside of the chapter 11 process, and that the commencement of this case would provide the opportunity to, among other things, right-size the Debtors' businesses through (i) the evaluation and elimination of liabilities that serve as a drain on the Debtors' profitability, (ii) operational improvements, and (iii) consolidation or improvement of retail operations by rejection and/or the transfer and assignment of certain leases.

Alternate Eastside Space

36. Prior to the Petition Date, the Debtors explored alternative retail space available on a lower cost basis which would facilitate cost saving and operational consolidation. In that context, the Debtors are in advanced discussions with Vornado Realty Trust ("VNO") with respect to certain alternative retail space potentially available on two levels at 1133 Third Avenue, New York, New York, running the entire city block from 66th Street to 67th Street

(“1133 Third Store”).⁵ From the Debtors’ perspective, the 1133 Third Store represented an opportunity to consolidate all Third Avenue Stores into a single location, within three blocks of the existing Eastside Location, at an overall rental and operational savings with an extended lease term. Further, the 1133 Third Store provides significant opportunity for sales growth through improved merchandising presentation and customer convenience under one roof.

Restructuring and Plan Support Agreement

37. At the same time as the Debtors and Triton worked to accomplish operational savings and explore lease alternatives, the Debtors and Triton aggressively sought sources of capital which would allow the Debtors to accomplish this restructuring in a Chapter 11 proceeding. In this context, after exploring various alternatives, the Debtors and Triton decided to enter into negotiations with Meridian Acquisition Ventures, LLC or its designee (“Meridian”) with respect to an infusion of capital by Meridian on specific terms and conditions which would allow the Debtors to achieve their goals of a restructuring and reorganization serving the best interests of the various parties in interest, including the Debtors’ creditors. After extensive negotiations, the Debtors reached an agreement with Meridian and the other pre-petition equity holders, including NW, to restructure the Debtors’ financial position in the context of a Chapter 11 bankruptcy proceeding under which, subject to certain conditions, NewAlliance Bank (“NAB”) agreed to acquire Pre-Petition Senior Secured Indebtedness and provide debtor-in-possession and exit financing, and Meridian and NW agreed to provide capital to fund the Debtors’ exit from Chapter 11. In connection with the agreement of NAB to provide DIP and exit financing and the agreement of Meridian to provide investment capital, the Debtors engaged

⁵ In the context of such active discussions, the Debtors further explored with VNO, alternatives which might facilitate the Debtors’ operational and consolidation goals by means of a potential capital infusion by VNO into the Debtors. Such discussions were ultimately terminated by mutual agreement of the Debtors and VNO although lease negotiations are in the advanced stages.

Thomas Shull and Paul Jen, seasoned and experienced retailers, as Chief Executive Officer and Senior Vice President of Strategic Planning, respectively. Mr. Natan Wexselbaum, the Debtors' founder, will continue in the capacity of Chairman along with the undersigned as President and COO.

38. The agreement among the Debtors and Meridian's designee GH Acquisition, LLC ("GHA") is reflected in the Investment and Standby Purchase Agreement (the "ISPA") dated as of August 11, 2010. Consistent with the ISPA, the Debtors intend to file shortly, with the support of other parties, a proposed Plan of Reorganization (the "Plan") and Disclosure Statement which provides for, among other things: (a) NAB's treatment of its pre-petition secured claim aggregating approximately \$11.3 million that would allow for a distribution to unsecured creditors based on a voluntary reduction of the proposed distribution on NAB's secured claim; (b) NAB to provide a debtor-in-possession credit facility to fund the Chapter 11 Cases and assist the Companies' critical need to purchase additional inventory heading into the Fall retail season; (c) NAB to provide an exit credit facility; (d) GHA, through investments by Meridian and NW, to provide capital to support the Debtors' exit from Chapter 11. Also in connection with the foregoing, the Plan currently envisions that the Debtors will enter into a new lease of the 1133 Third Storefront from VNO, which would replace and supplant the Eastside Location and serve as the new eastside flagship store. Meridian would receive certain preferred equity interests in GHA and NW and certain family or management team members providing capital would receive subordinated minority equity interests.

Market Test Program & Auction Process

39. The Meridian has agreed with the Debtors that the appropriate course of action in order to insure that the proposal in the Plan represents the highest and best return for stakeholders is to conduct post-petition marketing process, which began prior to these chapter

11 cases, and a possible auction (the “Auction”) at which additional qualified proposals for the sponsorship and funding of a plan of reorganization for the Debtors would be entertained. The Auction will provide a vehicle for the Debtors and their creditors to obtain the highest or best offer from potential investors, provide ultimate transparency to the marketing process, enable the Debtors to ensure that they have received maximum value for their assets, and bring finality to the Debtors’ reorganization efforts.

40. The Debtors will seek Bankruptcy Court approval of bidding procedures that will govern the Auction (“Bidding Procedures”). The Bidding Procedures will afford potential sponsors the opportunity to obtain information from the Debtors, submit qualified higher or better proposals than the ISPA and participate in the Auction. The Bidding Procedures were developed by Triton and the Debtors’ counsel, and approved by Meridian. However, the Debtors intend to work with any statutory creditor’s committee appointed in these chapter 11 cases and NAB to discuss and incorporate as many of their comments and suggestions as the Debtors deem appropriate.

41. As the COO, I am one of the officers of the Debtors responsible for devising and implementing the Debtors’ business plans and strategies, overseeing the Debtors’ financial, operational, and other business affairs. I also am responsible for supervising the maintenance of the Debtors’ books and records. Moreover, in my capacity as COO, I have been involved in the Debtors’ restructuring process (the “Restructuring”), including, inter alia, (a) participating in the development, negotiation and implementation of various strategic alternatives for restructuring, reducing or modifying the Debtors’ indebtedness; (b) managing professionals engaged by the Debtors in connection with the Restructuring; (c) supervising the preparation of the documentation necessary to implement the Restructuring; and (d) consulting, on a regular basis,

with the Debtors' other officers and executives. I also have been advised by counsel that this Court has jurisdiction over these cases pursuant to 28 U.S.C. §§ 157 and 1334.

42. The Debtors accordingly have determined that the commencement of these Chapter 11 cases would provide the best alternative to eliminate underproductive operations and to restructure their businesses and financial affairs. The goal of this chapter 11 process will be the implementation of a business plan that will reconstitute and streamline the Debtors' various business segments to position the Debtors to compete successfully in the retail, e-commerce industries and continue to provide superior products and service to its valued customers. The Debtors also intend to use the chapter 11 case to continue to negotiate with their other landlords and to evaluate their lease portfolio. These immediate restructuring initiatives will allow the Debtors to focus their resources on (i) stabilizing and strengthening their core and historically profitable stores, and (ii) exploring and implementation of strategies for exiting this chapter 11 case in an expeditious and cost effective manner, all while continuing to operate its retail and internet businesses.

IV.

SUMMARY OF FIRST DAY PLEADINGS

43. The Debtors intend to seek relief from the Court as soon as possible after the Petition Date through each of the motions described below:

<u>TITLE</u>	<u>PURPOSE OF MOTION</u>
Debtors' Motion for Joint Administration	Authorization to have case s jointly administered and procedurally consolidated.
Motion Pursuant to Bankruptcy Rule 1007(c) for an Extension of the Time to File the Debtors' (I) Schedules of Assets and Liabilities, (II) Schedules of Current Income and Expenditures, (III) Schedules of Executory Contracts and Unexpired Leases, and (IV) Statements of Financial Affairs	A 30-day extension of the time required to file schedules and statements of financial affairs is requested
Motion Pursuant to Sections 105(a), 342(a), and 521(a)(1) of the Bankruptcy Code, Bankruptcy Rules 1007(a) and 2002(a), (f), and (l) and Local Bankruptcy Rule 1007-1 for (I) Waiver of Requirement to File List of Creditors, and (II) Authority to Establish Procedures to Notify Creditors of the Commencement of the Debtors' Chapter 11 Cases	Waiver of the requirement to file a list of creditors, and to establish procedures by which to notify parties of the commencement of these chapter 11 cases, is requested.
Motion for an Order Pursuant to Section 105(a) of the Bankruptcy Code and Bankruptcy Rules 1015(c) and 9007 Implementing Certain Notice and Case Management Procedures	Authorization to establish certain notice and case management procedures is requested.
Motion for an Order Pursuant to Sections 105(a), 345(b), 363(c) and 364(a) of the Bankruptcy Code Authorizing the Debtors to (I) Continue Using Existing Cash Management System, (II) Maintain Existing Bank Accounts and Business Forms, and (III) Waive Requirements of Section 345(b) of the Bankruptcy Code	Authorization to use the Debtors' existing bank accounts and cash management system is requested.
Motion Pursuant to Sections 105(a) and 363(b) of the Bankruptcy Code (I) Authorizing Payment of Wages, Compensation and Employee Benefits and (II) Authorizing Financial Institutions to Honor and Process Checks and Transfers Related to Such Obligations	Authorization to pay prepetition wage claims and continue existing employee benefit programs is requested.

<u>TITLE</u>	<u>PURPOSE OF MOTION</u>
Motion for Order Pursuant to Sections 105(a), 363, 503(b)(1), 1107(a) and 1108 the Bankruptcy Code and Bankruptcy Rule 6004 for Authorization to Honor Certain Prepetition Customer Programs	Authorization to honor certain existing prepetition customer programs is requested.
Motion for an Order Pursuant to Sections 105(a), 362(d), 363(b) and 503(b) of the Bankruptcy Code (I) Authorizing the Debtors to (A) Continue their Workers' Compensation Program and its Insurance Programs and (B) Pay All Obligations in Respect Thereof and (II) Authorizing Financial Institutions to Honor and Process Checks and Transfers Related to Such Obligations	Authorization to continue workers' compensation programs and insurance programs, and pay all obligations in respect thereof, is requested.
Debtors' Motion, Pursuant to Sections 105(a), 363(b), and 541 of the Bankruptcy Code, (i) for Authorization to Pay Prepetition Sales and Use Taxes and (ii) to Schedule a Final Hearing	Authorization to pay all prepetition sales and use taxes is requested.
Emergency Motion for Order under Sections 105, 363, 364(c)(1) & (2), and 364(e), Fed. R. Bankr. P. 2002, 4001, and 9014, (I) Authorizing Debtors to Obtain Post-Petition Financing on Super-priority and Secured Basis, (II) Permitting the Use of Cash Collateral, (III) Granting Interim Relief, and (IV) Scheduling a Final Hearing under Fed. R. Bankr. P. 4001(c)	Authorization to incur debtor in possession financing is requested.

V.

INFORMATION REQUIRED BY LOCAL BANKRUPTCY RULE 1007-2

44. Local Bankruptcy Rule 1007-2 requires certain information related to the Debtors, which is set forth below.

45. In accordance with Local Bankruptcy Rule 1007-2(a)(3), and to the best of my knowledge, information, and belief, no prepetition committee has been formed in this chapter 11 case.

46. In accordance with Local Bankruptcy Rule 1007-2(a)(4), Schedule 1 hereto is a list of the names, addresses, and, where available, telephone numbers of the creditors holding the 40 largest unsecured claims (excluding insiders, unless otherwise noted) against the Debtors. Such list includes the amount of the claim, the nature of the claim and, if appropriate, an indication of whether such claim is contingent, unliquidated, disputed, or partially secured, subject, however, to the reservations of rights stated on Schedule 1 regarding, among other things, the actual validity of any such claims.

47. In accordance with Local Bankruptcy Rule 1007-2(a)(5), Schedule 2 is a list of the names and addresses of the creditors holding the five largest secured claims against the Debtors, as well as the names and addresses for the holders of record of such secured claims. Such list includes the amount of the claim, an estimate of the value of the collateral, and whether the claim or lien is disputed, subject, however, to the reservations of rights stated on Schedule 2.

48. In accordance with Local Bankruptcy Rule 1007-2(a)(6), Schedule 3 hereto provides a summary of the Debtor's assets and liabilities.

49. In accordance with Local Bankruptcy Rule 1007-2(a)(7), Schedule 4 hereto provides a list of the number and classes of shares of stock, debentures or other securities of the debtor that are publicly held, and the number of holders thereof, listing separately those held by each of the Debtor's officers and directors and the amounts so held.

50. In accordance with Local Bankruptcy Rule 1007-2(a)(8), Schedule 5 hereto is a list of the Debtors' property not in the Debtors' possession, including property in the possession or custody of any custodian, public officer, mortgagee, pledgee, assignee of rents, or secured creditor, or agent for any such entity.

51. In accordance with Local Bankruptcy Rule 1007-2(a)(9), Schedule 6 hereto is a list of the premises owned, leased, or held under other arrangement, from which the Debtors operate their business.

52. In accordance with Local Bankruptcy Rule 1007-2(a)(10), Schedule 7 hereto provides the location of the Debtors' substantial assets, the location of its books and records, and the value of any assets held by the Debtors outside the territorial limits of the United States.

53. In accordance with Local Bankruptcy Rule 1007-2(a)(11), Schedule 8 hereto is a list of litigation commenced against the Debtors.

54. In accordance with Local Bankruptcy Rule 1007-2(a)(12), Schedule 9 hereto contains the names of the individuals who comprise the Debtors' existing senior management, their tenure with the Debtors, and a brief summary of their relevant responsibilities and experience. The Debtors intend to continue to operate as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

55. In accordance with Local Bankruptcy Rule 1007-2(b)(1), Schedule 10 hereto is the estimated amount of the payroll to employees of the Debtors (exclusive of officers, directors and stockholders) for the 30-day period following the commencement of the Debtors' chapter 11 case.

56. In accordance with Local Bankruptcy Rule 1007-2(b)(2)(A), Schedule 11 hereto contains the amounts to be paid to the Debtors' officers, directors, and stockholders for services for the 30-day period following the commencement of the Debtors' chapter 11 cases.

57. In accordance with Local Bankruptcy Rule 1007-2(b)(3), Schedule 12 hereto contains the estimated cash receipts and disbursements, net cash gain or loss, obligations and

receivables expected to accrue but remain unpaid, other than professional fees, for the 30-day period following the commencement of the Debtors' chapter 11 cases.

58. I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Accordingly, I respectfully request that the Court grant all of relief requested in the First Day Pleadings and such other and further relief as may be just and appropriate.

By: /s/ Jordan Smilowitz
JORDAN SMILOWITZ
President & COO

Sworn to before me this
13th day of August, 2010

/s/ Jill Posephney
Notary Public, State of New York

Notary Public, State of New York
No. 02PO6162323
Qualified in Dutchess County
Commission Expires March 12, 2011

SCHEDULE 1

CONSOLIDATED LIST OF CREDITORS **HOLDING 40 LARGEST UNSECURED CLAIMS AGAINST THE DEBTORS¹**

The following is a list of creditors holding the forty (40) largest unsecured claims against the Debtors. This list has been prepared from the unaudited books and records of the Debtors. The list reflects amounts from the Debtors' books and records as of July 31, 2010. The list is prepared in accordance with Fed. R. Bankr. P. 1007(d) for filing in the Debtor's chapter 11 case. This list does not include (1) persons who come within the definition of "insider" set forth in 11 U.S.C. § 101 except as otherwise noted, or (2) secured creditors, unless the value of the collateral is such that the unsecured deficiency places the creditor among the holders of the forty (40) largest unsecured claims. The information here in shall not constitute an admission of liability by, nor is it binding on, the Debtors. Moreover, nothing herein shall affect the Debtors' right to challenge the amount or characterization of any claim at a later date.

Name of Creditor	Complete Mailing Address of Creditor Including Zip Code	Nature of Claim (trade debt, bank loan, government contract, etc.)	Indicate if Claim is contingent, unliquidated, disputed or subject to set-off²	Amount of Claim (If secured also state value of security)
TRUE VALUE COMPANY	P.O. BOX 3316 BOSTON, MA 02241-3316	Trade		\$722,102
LINCOLN METROCENTER PARTNERS LP	1995 Broadway, 3rd Floor New York, NY 10023	Rent/RE Tax	\$270,161	
JOHN MATOUK & CO INC	11 East 26th Street New York, NY 10010	Trade		\$165,883
FRAYDUN REALTY CO	150 E. 58th Street New York, NY 10155-2899	Rent/RE Tax	\$143,096	
HABIDECOR & ABYSS.	P.O. Box 429 Windsor, NJ 08561-0429	Trade		\$136,173
SATCO PRODUCTS INC	110 Heartland Blvd. Brentwood, NY 11717	Trade		\$134,973
ROCKROSE DEVELOPMENT CORP	290 Park Avenue South, New York, NY 10010	Rent/RE Tax	\$133,675	
YVES DELORME	1725 Broadway Charlottesville, VA, 22902	Trade		\$132,350

¹ The Debtors will continue to update this information and will provide a complete List of Creditors as soon as practicable.

² The claims listed herein are currently under investigation and, as a result, unless otherwise indicated herein, remain contingent, unliquidated, disputed or subject to set-off.

Name of Creditor	Complete Mailing Address of Creditor Including Zip Code	Nature of Claim (trade debt, bank loan, government contract, etc.)	Indicate if Claim is contingent, unliquidated, disputed or subject to set-off ²	Amount of Claim (If secured also state value of security)
SCANDIA DOWN LLC	P.O. Box 2465 La Crosse, WI 54602-2465	Trade		\$92,860
THE NEW YORK TIMES W7770 RA	620 Eighth Avenue New York, NY 10018	Expense		\$90,585
VISUAL COMFORT & CO	PO Box 974399 Dallas, TX 75397-4399	Trade		\$90,330
MIELE APPLIANCES INC.(8810)	9 Independence Way Princeton, NJ 08540	Trade		\$88,326
SFERRA BROS LTD	15 Mayfield Avenue P.O. Box 6690 Edison, NJ 08818-6690	Trade		\$86,264
AMERICAN EXPRESS CO	P.O. Box 2855 New York, NY 10116	Credit Card		\$84,505
VORNADO AIR CIRCULATION	P.O. Box 873895 Kansas City, MO 64187-3895	Trade		\$76,950
H.GEORGE CASPARI CO.	99 Cogwheel Lane Seymour, CT 06483	Trade		\$74,999
HOLTKOETTER INT'L INC	155 Hardman Avenue South P.O. Box 623 South St. Paul, MN 55075	Trade		\$74,621
OXFORD INSURANCE	Attn: Matt Power 225 Broadhollow Road Melville, NY 11747	Benefits		\$66,224
CONTINENTAL SUPERBAG LLC	PO Box 65753 Charlotte, NC 28265	Trade		\$65,703
BRADFORD SWETT MANAGEMENT LLC	1536 Third Avenue, 3rd Fl. New York, NY 10028-2110	Rent/RE Tax	\$62,139	
ANTICA FARMAISTA	2013 4th Avenue, Suite 205 Seattle, WA 98121	Trade		\$60,610
TOWNSEND HOUSE CORP.	P.O. Box 21008 New York, NY 10286-2525	Rent/RE Tax	\$56,000	
DIPTYQUE	303 Park Avenue So #1060 New York, NY 10011	Trade		\$53,138

Name of Creditor	Complete Mailing Address of Creditor Including Zip Code	Nature of Claim (trade debt, bank loan, government contract, etc.)	Indicate if Claim is contingent, unliquidated, disputed or subject to set-off ²	Amount of Claim (If secured also state value of security)
BALDWIN HARDWARE	13212 Collections Center Drive Chicago, IL 60693	Trade		\$50,409
SCHONBEK WORLDWIDE LIGHTING IN	P.O. Box 415343 Boston, MA 02241-5343	Trade		\$49,245
BLUEAIR INC.	17 N. State St. Suite 1830 Chicago, IL 60602	Trade		\$48,999
TIZO DESIGN INC.	7722 Densmore Avenue Van Nuys, CA 91406	Trade		\$45,569
TENTINA	1186 Route 109 P.O. Box 615 Lindenhurst, NY 11757	Trade		\$44,771
BONAFIDE ESTATES, INC.	630 Fifth Ave., Suite 3165 New York, NY 10111	Rent/RE Tax	\$43,850	
BENJAMIN MOORE & CO	Newark NJ Area 12 P.O.Box 4023 Church Street Station New York, NY 10261-4023	Trade		\$43,467
SAMUEL HEATH & SONS PLC	111 East 39th St., Suite 2R New York, NY 10016	Trade		\$42,721
BELLINO INC.	18 West Forest Avenue Englewood, NJ 07631	Trade		\$42,248
H.SCHULTZ & SONS	P.O. Box 1557 777 Leigh Avenue Union, NJ 07083	Trade		\$41,050
OMNIA INDUSTRIES, INC.	P.O. Box 330 Five Cliffside Drive Cedar Grove, NJ 07009	Trade		\$40,759
ROHL CORPORATION	3 Parker Irvine, CA 92618	Trade		\$40,348
TRG GROUP	2047 Westport Center Drive St. Louis, MO 63146	Trade		\$39,763
179 E 70TH STREET CORP	179 E. 70th Street New York, NY 10021	Rent/RE Tax	\$39,705	
TUMI INC.	1001 Durham Avenue South Plainfield, NJ 07080	Trade		\$38,013
HANS GROHE, INC	1490 Bluegrass Lakes Pkwy Alpharetta, GA 30392	Trade		\$37,970

Name of Creditor	Complete Mailing Address of Creditor Including Zip Code	Nature of Claim (trade debt, bank loan, government contract, etc.)	Indicate if Claim is contingent, unliquidated, disputed or subject to set-off ²	Amount of Claim (If secured also state value of security)
TOTO USA LTD	P.O. Box 101388 Atlanta, GA 30392	Trade		\$37,113
CON EDISON	JAF P.O. Box 1702 New York, NY 10060-0016	Utility		\$36,135

SCHEDULE 2

LIST OF CREDITORS **HOLDING TOP 5 SECURED CLAIMS**

The following is a condensed list of creditors holding the 5 largest secured claims against the Debtors. This list has been prepared in accordance with Local Bankruptcy Rule 1007-2(a)(5). The information herein shall not constitute an admission of liability by, nor is binding on, the Debtors.

<u>Name of Creditor</u>	<u>Mailing Address</u>	<u>Description of Collateral</u>	<u>Estimate of the Value of the Collateral Securing the Claim</u>	<u>Amount of Claim</u>	<u>Disputed</u>
NewAlliance Bank	New Alliance Bank, 690 Canton Street, Suite 214 Westwood, MA 02090	Substantially all of the assets of The Weck Corporation, West Weck, LLC, Weck Chelsea, LLC and Gracious Home.com	Undetermined 11,3	12,269.86	
GE Commercial Distribution Finance Corporation ¹	500 Momany Drive St. Joseph, MI 49085	Products and appliances located as display models in various retail locals	Undetermined	\$18,000	The claims listed herein are currently under investigation and, as a result, unless otherwise indicated herein, remain contingent, unliquidated, disputed or

¹ Upon information and belief, Capital Solutions recently acquired GE's secured debt.

					subject to set-off.
Hitachi Capital America Corporation	21925 Network Place Chicago, IL 60673	Two <i>Gracious Home</i> delivery Trucks	Undetermined	\$73,654	The claims listed herein are currently under investigation and, as a result, unless otherwise indicated herein, remain contingent, unliquidated, disputed or subject to set-off.

SCHEDULE 3

DEBTORS' BALANCE SHEET
(as of July 31, 2010 unaudited)

<u>ASSETS:</u>	
Current assets:	
Cash and cash equivalents	1,775,826
Accounts receivable, net of allowance	396,503
Inventory	9,195,725
Prepaid expenses and other current assets	926,164
Intercompany	(0)
Total Current Assets	12,294,218
Property & equipment	19,680,984
Accumulated depreciation - property and equipment	(7,965,982)
Investments	323,347
Intangible assets	90,000
Accumulated depreciation - intangible assets	(90,000)
Other assets (rent and other security deposits)	1,375
Total Assets	24,333,941

<u>LIABILITIES AND OWNERS' EQUITY (DEFICIENCY):</u>	
Current liabilities:	
Accounts payable and accrued expenses	7,677,658
Accrued income taxes	(104,682)
Other current liabilities	1,545,042
Current maturities of long term debt	124,992
Total Current Liabilities	9,243,010
Line of credit	8,988,682
Capital lease obligations net of current portions	26,619
Shareholder loans	168,469
Deferred rent	11,521,086
Total Liabilities	29,947,865
Owners' equity:	
Common stock	850,000
Unrealized gain on investments	(0)
Paid-in capital	530,237
Treasury stock	(1,341,221)
Accumulated earnings (deficiency)	(1,114,209)
Shareholder distributions	(1,523,721)
Allocated retained earnings	(3,015,009)
Owners' Equity (deficiency)	(5,613,923)
Total Liabilities and Owners' Equity (deficiency)	24,333,942

SCHEDULE 4

**NUMBER AND CLASSES OF SHARES OF STOCK, DEBENTURES
OR OTHER SECURITIES OF THE DEBTORS THAT ARE PUBLICLY
HELD; THE NUMBER OF HOLDERS THEREOF**

N/A

**STOCK, DEBENTURES OR OTHER SECURITIES OF THE
DEBTORS HELD BY EACH OF THE DEBTORS' OFFICERS
AND DIRECTORS, AND THE AMOUNTS SO HELD**

N/A

SCHEDULE 5

DEBTORS' PROPERTY NOT IN DEBTORS' POSSESSION

Type of Property	Value of Property	Person or Entity in Possession	Address and Telephone Number
Common Stock	\$50,000	Appliance Dealers Co-op	2 Matrix Drive Monroe Twp, NJ 08831-3702 (609) 235-1000
Common Stock / Note	\$264,473	True Value (Weck Corp.)	P.O. Box 3316 Boston, MA 02241-3316
Common Stock	\$8,874	True Value (West Weck)	P.O. Box 3316 Boston, MA 02241-3316
Cash Deposit	\$1,375	Con Edison. (Weck Chelsea)	JAF P.O. Box 1702 New York, NY 10060-0016
Cash Deposit	\$363,807	JP Morgan Chase (Weck Corp. Checking)	JP Morgan Chase 1166 Avenue of the Americas New York, NY 10036
Cash Deposit	\$81,491	JP Morgan Chase (West Weck Checking)	JP Morgan Chase 1166 Avenue of the Americas New York, NY 10036
Cash Deposit	\$173,906	JP Morgan Chase (Weck Chelsea Checking)	JP Morgan Chase 1166 Avenue of the Americas New York, NY 10036
Cash Deposit	\$74,659	JP Morgan Chase (Weck Corp. Savings)	JP Morgan Chase 1166 Avenue of the Americas New York, NY 10036
Cash Deposit	\$65,265	HSBC (Weck Corp. Checking)	HSBC 80 8th Avenue New York, NY 10011
Cash Deposit	\$609	HSBC (West Weck Checking)	HSBC 80 8th Avenue New York, NY 10011
Cash Deposit	\$828	HSBC (Weck Chelsea Checking)	HSBC 80 8th Avenue New York, NY 10011
Cash Deposit	\$7,432	HSBC (GH.com Checking)	M&T 401 Broad Hollow Road Melville, NY 11747
Cash Deposit	\$424,309	M&T (Sweep Savings)	M&T 401 Broad Hollow Road Melville, NY 11747
Cash Deposit	\$826,223	M&T (Weck Corp. Savings)	M&T 401 Broad Hollow Road Melville, NY 11747
Cash Deposit	\$9,294	M&T (Weck Corp.	M&T

Type of Property	Value of Property	Person or Entity in Possession	Address and Telephone Number
		Funding)	401 Broad Hollow Road Melville, NY 11747
Cash Deposit	\$13,225	M&T (GH.com Funding)	M&T 401 Broad Hollow Road Melville, NY 11747
Cash Deposit	\$2,640	M&T (Weck Chelsea Funding)	M&T 401 Broad Hollow Road Melville, NY 11747
Cash Deposit	\$3,093	M&T (West Weck Funding)	M&T 401 Broad Hollow Road Melville, NY 11747

SCHEDULE 6

**PREMISES OWNED, LEASED, OR HELD UNDER OTHER
ARRANGEMENT FROM WHICH THE DEBTORS
OPERATES THEIR BUSINESSES**

Owned Real Property

<u>Location of Property</u>
N/A

Leased Real Property

<u>Location of Property</u>	<u>Lessor</u>	<u>Lessee</u>
1220 Third Avenue, New York, NY 10021	Townsend Housing Corp.	The Weck Corporation
179 East 70th Street New York, NY 10021	170 East 70th Street Corporation The	Weck Corporation
1201 Third Avenue New York, NY 10021	201 E 69 LLC f/k/a Fairfax LLC	The Weck Corporation
1217 Third Avenue New York, NY 10021	Fraydun Realty Co.	The Weck Corporation
1992 Broadway New York, NY 10023	Lincoln Metrocenter Partners LP	West Weck, LLC
766 Sixth Avenue New York, NY 10010	Marine Estates LLC	Weck Chelsea, LLC
45 West 25th Street New York, NY 10010	Bonafide Estates	Weck Chelsea, LLC
632 Broadway New York, NY 10012	Renaissance 632 Broadway, LLC The	Weck Corporation
30-30 60th Street Woodside, NY 11377	Dolton Associates, LLC (Successor-in-Interest to Allomatic Industries, Inc., the Metropolitan Opera Association, Inc., and the New York City Opera, Inc.)	The Weck Corporation

SCHEDULE 7

LOCATION OF DEBTORS' ASSETS, BOOKS AND RECORDS

Pursuant to Local Bankruptcy Rule 1007-2(a)(10), the following lists the locations of the Debtors' substantial assets and the location of their books and records.

<u>Location of Debtors' Substantial Assets</u>			
1220 Third Avenue	New York	NY	10021
1201 Third Avenue	New York	NY	10021
1217 Third Avenue	New York	NY	10021
1992 Broadway	New York	NY	10023
766 Sixth Avenue	New York	NY	10010
45 West 25th Street	New York	NY	10010
632 Broadway	New York	NY	10012
30-30 60th Street	Woodside	NY	11377

<u>Location of Debtors' Books and Records</u>			
632 Broadway	New York	NY	10012
30-30 60th Street	Woodside	NY	11377

SCHEDULE 8

**SIGNIFICANT LITIGATION COMMENCED
AGAINST THE DEBTORS PRIOR TO THE PETITION DATE**

N/A

SCHEDULE 9

DEBTORS' EXISTING SENIOR MANAGEMENT

<u>Name/Position</u>	<u>Summary of Responsibilities and Experience</u>
Thomas Shull/CEO	<p><u>Responsibilities:</u> Leads the strategic direction of the company and establishes overall business plan.</p> <p><u>Experience:</u> Held senior management retail positions at several national leading retailers over 25 years.</p>
Natan Wekselbaum/Chairman	<p><u>Responsibilities:</u> Promote customer, employee and merchandise vendor relationships, including continued good will, for enhancing the Company's current and future growth and profitability.</p> <p><u>Experience:</u> Overall founder of Gracious Home in 1963.</p>
Jordan Smilowitz/President & COO	<p><u>Responsibilities:</u> Leads overall company operations.</p> <p><u>Experience:</u> 18 years of experience at Gracious Home and 30 years in the retail industry.</p>
Paul Jen/Senior Vice President of Strategic Planning	<p><u>Responsibilities:</u> Responsible for strategic planning.</p> <p><u>Experience:</u> Over 15 years of retail and financial management.</p>
Robert Battista/Vice President	<p><u>Responsibilities:</u> Lead customer service and store operations.</p> <p><u>Experience:</u> Over 30 years at Gracious Home.</p>
James Linsalata/CIO	<p><u>Responsibilities:</u> responsible for internet, IS, marketing and inventory.</p> <p><u>Experience:</u> Over 6 years at Gracious Home and 30 years in the retail industry.</p>
Kenneth McDermott/CFO	<p><u>Responsibilities:</u> finance and human resources.</p> <p><u>Experience:</u> 3 years at Gracious Home and 15 years combined retail and financial management.</p>

SCHEDULE 10

**ESTIMATED AMOUNT OF WEEKLY PAYROLL TO EMPLOYEES
EXCLUSIVE OF OFFICERS, DIRECTORS, AND SHAREHOLDERS
FOR THE 30-DAY PERIOD FOLLOWING THE PETITION DATE**

<u>Week</u>	<u>Estimated Gross Payroll</u>
Week ending August 15, 2010	\$250,000
Week ending August 22, 2010	\$250,000
Week ending August 29, 2010	\$250,000
Week ending September 5, 2010	\$250,000
Week ending September 12, 2010 (2 days)	\$70,000

SCHEDULE 11

**ESTIMATED AMOUNT OF WEEKLY PAYROLL
TO OFFICERS, DIRECTORS, AND SHAREHOLDERS
FOR THE 30-DAY PERIOD FOLLOWING THE PETITION DATE**

<u>Week</u>	<u>Payments to Officers, Directors and Stockholders</u>
Week ending August 15, 2010	\$40,000
Week ending August 22, 2010	\$40,000
Week ending August 29, 2010	\$40,000
Week ending September 5, 2010	\$40,000
Week ending September 12, 2010 (2 days)	\$12,000

SCHEDULE 12

DEBTOR'S ESTIMATED CASH DISBURSEMENTS AND RECEIPTS
FOR THE 30-DAY PERIOD FOLLOWING THE PETITION DATE

Cash Receipts (inclusive of DIP draw)	\$5,400,000
Cash Disbursements	\$5,300,000
Net Cash Gain (Loss)	\$100,000
Unpaid Obligations	Assumes payment on current basis
Outstanding Receivables	\$900,000